

Garden State Philharmonic Symphony Society, Inc.

For the Years Ended June 30, 2015 and 2014

<u>Contents</u>	<u>Page</u>
Independent Accountant's Review Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-13

# JUMP, PERRY AND COMPANY, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors  
Garden State Philharmonic Symphony Society, Inc.:

We have reviewed the accompanying statements of financial position of Garden State Philharmonic Symphony Society, Inc., (a nonprofit organization), as of June 30, 2015 and 2014 the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Jump Perry & Co LLP*

May 10, 2016  
Toms River, New Jersey

Garden State Philharmonic Symphony Society, Inc.  
 Statements of Financial Position  
 June 30, 2015 and 2014

	ASSETS	
	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 13	4,463
Permanently restricted	33,442	34,702
Investments	243	225
Accounts receivable	16,117	7,121
Grant receivable	19,873	7,373
Prepaid expenses	<u>9,082</u>	<u>133</u>
Total current assets	<u>78,770</u>	<u>54,017</u>
Property and equipment, net	<u>1,756</u>	<u>2,343</u>
Other assets	<u>13,666</u>	<u>13,666</u>
	<u>\$ 94,192</u>	<u>70,026</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 28,376	13,740
Accrued expenses	16,792	22,730
Deferred revenue	20,720	-
Capital lease - current portion	780	1,022
Line of credit	<u>27,967</u>	<u>28,736</u>
Total current liabilities	<u>94,635</u>	<u>66,228</u>
Capital lease - long-term portion	-	780
Net assets:		
Unrestricted	(35,145)	(31,684)
Permanently restricted	<u>34,702</u>	<u>34,702</u>
Total net assets	<u>(443)</u>	<u>3,018</u>
	<u>\$ 94,192</u>	<u>70,026</u>

See independent accountant's review report.

Garden State Philharmonic Symphony Society, Inc.  
 Statements of Activities  
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Earned revenue:		
Contracted services	\$ 44,700	37,825
Ticket subscriptions	22,589	40,201
Concert revenue	22,700	51,917
Membership	17,283	15,210
Miscellaneous	1,759	530
Merchandise and music sales	269	428
Unrealized gain on investment	18	29
Interest income	<u>11</u>	<u>34</u>
 Total earned revenue	 <u>109,329</u>	 <u>146,174</u>
Support:		
In-kind donations	20,687	26,392
Private foundations	71,153	34,740
Individual contributions	26,555	28,077
Corporate funding	<u>2,042</u>	<u>11,086</u>
 Total support	 <u>120,437</u>	 <u>100,295</u>
Grants	37,492	37,042
Fundraising	<u>31,238</u>	<u>37,286</u>
 Total revenue and support	 298,496	 320,797
Expenses:		
Program services	161,059	173,924
Management and general	108,716	95,171
Fundraising	<u>32,182</u>	<u>30,772</u>
 Total expenses	 <u>301,957</u>	 <u>299,867</u>
Increase/(Decrease) in net assets	(3,461)	20,930
Net assets, beginning of year	<u>3,018</u>	<u>(17,912)</u>
Net assets, end of year	<u>\$ (443)</u>	<u>3,018</u>

See independent accountant's review report.

Garden State Philharmonic Symphony Society, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2015</u>
Salaries	\$ 59,842	56,388	-	116,230
Payroll taxes	6,646	5,222	-	11,868
Employee benefits	-	584	-	584
Rent	17,948	6,480	-	24,428
Telephone and communication	-	1,329	-	1,329
Insurance	-	10,686	-	10,686
Fundraising expenses	-	-	17,528	17,528
Professional fees	-	8,610	-	8,610
Miscellaneous	2,012	-	-	2,012
Production expenses	2,265	-	-	2,265
Depreciation	-	587	-	587
Credit card and bank fees	-	4,234	-	4,234
Supplies	255	3,460	263	3,978
Printing and copying	-	-	10,251	10,251
Advertising	-	-	4,140	4,140
Royalties	4,327	-	-	4,327
Postage	-	1,950	-	1,950
Information technology	-	8,020	-	8,020
Guest artists/soloists	67,264	-	-	67,264
Scholarships	500	-	-	500
Dues and subscriptions	-	1,166	-	1,166
	<u>\$ 161,059</u>	<u>108,716</u>	<u>32,182</u>	<u>301,957</u>

See independent accountant's review report.

Garden State Philharmonic Symphony Society, Inc.  
Schedule of Functional Expenses  
For the Year Ended June 30, 2014

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2014</u>
Salaries	\$ 51,058	49,754	-	100,812
Payroll taxes	5,163	4,057	-	9,220
Employee benefits	-	3,943	-	3,943
Rent	31,763	6,480	-	38,243
Telephone and communication	-	1,506	-	1,506
Insurance	-	8,849	-	8,849
Fundraising expenses	-	-	24,719	24,719
Professional fees	-	3,480	-	3,480
Miscellaneous	1,852	-	-	1,852
Production expenses	1,743	-	-	1,743
Depreciation	-	587	-	587
Credit card and bank fees	-	4,076	-	4,076
Supplies	5,372	2,935	169	8,476
Printing and copying	-	-	4,110	4,110
Advertising	-	-	1,774	1,774
Royalties	3,335	-	-	3,335
Postage	-	2,982	-	2,982
Information technology	-	5,450	-	5,450
Guest artists/soloists	73,138	-	-	73,138
Scholarships	500	-	-	500
Dues and subscriptions	-	1,072	-	1,072
	<u>\$ 173,924</u>	<u>95,171</u>	<u>30,772</u>	<u>299,867</u>

See independent accountant's review report.

Garden State Philharmonic Symphony Society, Inc.  
 Statements of Cash Flows  
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received	\$ 297,702	293,610
Cash paid	<u>(301,621)</u>	<u>(297,215)</u>
Cash used in operating activities	<u>(3,919)</u>	<u>(3,605)</u>
Cash Flows from Investing Activities:		
Purchase of assets	<u>-</u>	<u>(2,930)</u>
Cash used in investing activities	<u>-</u>	<u>(2,930)</u>
Cash Flows from Financing Activities:		
Change in line of credit	(769)	241
Proceeds from (payments on) capital lease	<u>(1,022)</u>	<u>1,802</u>
Cash provided by (used in) financing activities	<u>(1,791)</u>	<u>2,043</u>
Net decrease in cash and cash equivalents	<u>(5,710)</u>	<u>(4,492)</u>
Cash and cash equivalents, beginning of year	<u>39,165</u>	<u>43,657</u>
Cash and cash equivalents, end of year	\$ <u>33,455</u>	<u>39,165</u>
Reconciliation of change in net assets to cash provided by (used in) operating activities		
Increase/(Decrease) in net assets	\$ (3,461)	20,930
Items which did not provide cash:		
Depreciation	587	587
Unrealized gain on investment	(18)	(35)
Working capital changes which provided (used) cash:		
Accounts receivable	(8,996)	6,999
Grants receivable	(12,500)	(2,949)
Prepaid expenses	(8,949)	304
Accounts payable	14,636	980
Accrued expenses	(5,938)	781
Deferred revenue	<u>20,720</u>	<u>(31,202)</u>
Net cash used in operating activities	\$ <u>(3,919)</u>	<u>(3,605)</u>

See independent accountant's review report.

Garden State Philharmonic Symphony Society, Inc.  
Notes to Financial Statements  
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies

Organization

The Garden State Philharmonic Symphony Society, Inc. (the "Society") is a New Jersey non-profit organization exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Society is to maintain a symphony orchestra at the Jersey Shore, New Jersey, to give concerts of cultural and educational value in and for the community, and to foster such related activities that will encourage interest in and appreciation of music. The Society's support primarily comes from grants, donations, fundraisers and ticket sales.

Public Support and Revenue

Contributions and grants are generally available for use in the year received. The Society does not solicit pledges so there is no accounting for promises to give. The majority of the contributions are received from a broad base of Jersey Shore contributors.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Certain endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded as unrestricted net assets. Donations of non-cash assets and certain services are recorded at their fair values in the period received.

Basis of Accounting and Presentation

The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the Society and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to a donor-imposed stipulation. These assets may, however, be subject to Board designation.

*Temporarily Restricted Net Assets* – Net assets subject to a donor-imposed stipulation that will be met either by the completion of a stipulated action and/or the passage of time. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. As of June 30, 2015 and 2014, there are no temporarily restricted net assets.



Garden State Philharmonic Symphony Society, Inc.  
Notes to Financial Statements (continued)  
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation - (continued)

*Permanently Restricted Net Assets* - Net assets subject to a donor-imposed stipulation that they are maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided based on the double declining balance method over the useful lives of the assets. When equipment is sold, the asset basis is deducted from the amount received, and the resulting gain or loss is included in earnings. Expenditures for maintenance and repairs are charged to expenses as incurred, while significant betterments are capitalized. Machinery and equipment is depreciated over five years and furniture over seven years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Cash and Cash Equivalents

The Society considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

The Society has adopted accounting for Certain Investments Held by Not-for-Profit Organizations. Not-for-profit accounting requires investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Garden State Philharmonic Symphony Society, Inc.  
Notes to Financial Statements (continued)  
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Not-for-profit accounting established a single definition of fair value and a framework for measuring fair value. That is intended to result in increased consistency and comparability in fair value measurements. Not-for-profit accounting also expands disclosures about fair value measurements and applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1), a secondary priority to quoted prices for similar assets or liabilities in active or inactive markets and other observable inputs from or corroborated by observable market data (Level 2) and the lowest priority to unobservable inputs using assumptions that market participants would use (Level 3).

Contributed Services

A portion of the Society's functions are conducted by unpaid volunteer officers and committees. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and accordingly, is not subject to federal income tax.

Other Assets

The Society capitalizes its collection of music. Acquisitions of music are capitalized at cost if purchased and at appraised or fair value at date of acquisition if received by donation.

Deferred Revenue

Income from advanced ticket sales, grants and certain contributions is deferred and recognized in the period to which it relates.

Garden State Philharmonic Symphony Society, Inc.  
Notes to Financial Statements (continued)  
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies (continued)

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies.

Advertising

The Organization expenses the costs of advertising as they are incurred. Advertising costs for the years ended June 30, 2015 and 2014 amounted to \$4,140 and \$1,774 respectively. These costs are included in fundraising expenses in the statement of activities.

2. Accounts and Grants Receivable

The Society generally does not accrue interest on unpaid accounts and grants receivable. Accounts and grants receivable are stated at the amount due. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. At June 30, 2015 and 2014 there was no allowance for uncollectible accounts.

3. Property and Equipment

Property and equipment at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Machinery and equipment	\$ 3,440	3,440
Furniture	<u>5,149</u>	<u>5,149</u>
Total property and equipment	<u>8,589</u>	<u>8,589</u>
Less: accumulated depreciation	<u>(6,833)</u>	<u>(6,246)</u>
Net property and equipment	\$ <u>1,756</u>	<u>2,343</u>

Depreciation expense totaled \$587 and \$587 for the years ended June 30, 2015 and 2014 respectively.

Garden State Philharmonic Symphony Society, Inc.  
Notes to Financial Statements (continued)  
June 30, 2015 and 2014

4. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 are as follows:

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2015</u>				
Securities	\$ 243	243	-	-
Total Assets	<u>\$ 243</u>	<u>243</u>	<u>-</u>	<u>-</u>
 <u>June 30, 2014</u>				
Securities	\$ 225	225	-	-
Total Assets	<u>\$ 225</u>	<u>225</u>	<u>-</u>	<u>-</u>

All assets have been valued using a market approach.

5. Investments

Investments are stated at their fair value and consist primarily of bond and equity funds held in brokerage accounts with a financial institution as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (loss)</u>
<u>June 30, 2015</u>			
Securities	\$ 173	243	70
Total	<u>\$ 173</u>	<u>243</u>	<u>70</u>
 <u>June 30, 2014</u>			
Securities	\$ 173	190	17
Total	<u>\$ 173</u>	<u>190</u>	<u>17</u>

Garden State Philharmonic Symphony Society, Inc.  
Notes to Financial Statements (continued)  
June 30, 2015 and 2014

6. Permanently Restricted Net Assets

Permanently restricted net assets are categorized as follows at June 30, 2015 and 2014:

General Endowment Fund	\$	8,202
Adler Fund		25,750
E. Fisher Fund		<u>750</u>
 Total Permanently Restricted Net Assets	 \$	 <u>34,702</u>

7. Capital Lease

The Society leases equipment under a capital lease, which is secured by the leased assets. The assets and liabilities under the capital lease are recorded at the present value of the minimum lease payments or the fair value of the assets. The equipment of \$2,930 at June 30, 2015 and 2014 is amortized over its estimated productive lives, with accumulated amortization of \$1,174 and \$587 at June 30, 2015 and 2014 respectively. Amortization expense amounted to \$587 and \$587 for the years ended June 30, 2015 and 2014, respectively, and is included in depreciation expense. The lease agreement contains a bargain purchase option at the end of the lease term.

Future minimum lease payments are:

	<u>2015</u>	<u>2014</u>
Total minimum lease payments	\$ 829	2,071
Less: amount representing interest	<u>49</u>	<u>269</u>
Present value of minimum lease payments	780	1,802
Less: current portion	<u>780</u>	<u>1,022</u>
Obligations under capital lease, excluding current portion	\$ <u>-</u>	<u>780</u>

Future annual minimum lease payments are:

Year ending June 30:	Total Payments	Principal	Interest
2016	\$ <u>829</u>	<u>780</u>	<u>49</u>
Total	\$ <u>829</u>	<u>780</u>	<u>49</u>

Garden State Philharmonic Symphony Society, Inc.  
Notes to Financial Statements (continued)  
June 30, 2015 and 2014

8. Line of Credit

The Society has entered into a line of credit agreement with the bank. Under this agreement the Society can borrow up to a total of \$30,000, with interest payable at prime plus one percent with a floor of 5%. The prime rate was 5% and 3.25% at June 30, 2015 and 2014. Borrowings under this agreement are secured by an Ocean First Bank Money Market account. Monthly payments equal to the greater of \$100 or 1/120th of outstanding principal plus accrued interest are required. The maturity date is December 13, 2015. As of June 30, 2015 and 2014, the Society has borrowed \$27,967 and \$28,736, respectively against this line of credit.

9. Noncompliance with Donor Restrictions

At June 30, 2015, the fair value of assets related to the Society's endowment fund was \$33,432 which is \$1,270 less than the \$34,702 required by the donor.

10. Donated Rental Space

The Society receives various in-kind donations for use of facilities.

The value is estimated at \$10,800 and \$26,392 per year for the fiscal years ended June 30, 2015 and 2014, and is included in the statements of activities as donated rental space revenue and as rent expense.

11. Uncertain Tax Positions

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Society does not have business activities currently subject to tax on unrelated business income. The Society believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Society has no open tax years prior to June 30, 2012.

12. Subsequent Events

Management has evaluated subsequent events through May 10, 2016, the date the financial statements were available to be issued.